EXHIBIT 30
(Filed Under Seal)

FINAL TRANSCRIPT

Thomson StreetEvents℠

TSN - Q3 2009 Tyson Foods Earnings Conference Call

Event Date/Time: Aug. 03. 2009 / 1:00PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Welcome and thank you for standing by. At this type all participants are in listen only mode. After the presentation we will conduct a question and answer session. (Operator Instructions) Today's conference is being recorded. If you have any objections you may disconnect at this time. Now I'd like to introduce your host for today's conference, Ruth Ann Wisener.

Ruth Ann Wisener - *Tyson Foods - VP, IR, Asst. Sec.*

Good morning and thank you for joining us today for Tyson Foods conference call for the third quarter of our 2009 fiscal year. Sorry about the delay in beginning the call this morning. We had an error in our dial-in number that was published. I want to remind everyone that some of the things we talk about today will include forward-looking statements. Those statements are based on our view of the world as we know it today which could change. I encourage you to look at today's press release for a discussion of the risks that can affect our business.

First we will hear opening remarks from our Interim President and CEO, Leland Tollett, followed by the financial report from CFO, Dennis Leatherby. Reporting on our Chicken and Prepared Foods segments will be Donnie Smith, Senior Group Vice President of Poultry and Prepared Foods. Reporting on our Beef and Pork segments will be Jim Lechner, Senior Group Vice President of Tyson Fresh Meats. Also joining us on the call today are Rick Greubel, Group Vice President and International President and Jeff Webster, Group Vice President of our Renewable Product Division.

To keep the call to one hour and to ensure everyone has the opportunity to ask a question, I ask you to limit yourself so one question and one clarifying follow-up. If you have another question, please get back in the queue. If we have any time remaining we'll take additional questions in the order you queued up until we run out of time. I'll now turn the call over to interim CEO, Leland Tollett.

Leland Tollett - *Tyson Foods - Interim CEO*

Thank you, Ruth Ann and good morning everyone. I'm proud of the results we produced for the third quarter of fiscal 09. Our operating segments are beginning to performance they should and there is a balance across all segments of our business. The most dramatic improvement has occurred in the chicken business. That's the one that I expected and we needed the most improvement in. Some of that is due to market conditions but a big piece of that is due to the efforts we've made over the past several months to get that business turned around. We still have a lot of work to do but we made a lot of progress in a very short period of time.

In the third quarter the Beef and the Pork segments continued to perform well which they've been doing now for roughly 18 months. The Prepared Foods segment benefited from lower input costs in addition to our improvements in execution and the changes we made in that business model. We continue to develop our international business, exports in the third quarter benefited from higher volume, strong quarter prices and strong pulp prices. Mexico had a strong quarter due to price and product improvements. We continued to make progress in Brazil as we bring that facility up to speed as well as progress in China. Our joint venture in India recently introduced more branded value-added products to that market. And our renewable products division is performing to expectations. The core rendering business is solid, the initiatives under way in fuels and pet food products and biotech and Nutraceuticals are progressing and most of the effort here is directed toward driving inedible products from our operations up the value chain. So I'm happy that our operations are -- improvements are being reflected in the financial performance for our Company. This should be an indicator of how this Company is capable of performing.

Not every segment will do well in every quarter because of seasonality but I think the range and the volatility should be diminished substantially. Our customer contracts are shorter which keeps us closer to the market. We're current to the market with regard to grain and soy bean meal. Our team members are energized, they're excited about what they're doing, they're concentrated on continuous improvements in our operations and we're being able to execute at the marketplace without having to deal with some of the strikes we've had in the past. With that I'll turn the call over to Dennis for the financial report.

Dennis Leatherby - *Tyson Foods - EVP, CFO*

Thank you, Leland, good morning, everyone. As stated in our press release, Q3 '09, we made $0.35 per share compared to $0.03 per share in Q3 '08. All segments were profitable and within their respective normalized operating margin ranges. All of our

operating segments performed solidly in the face of tough economic conditions and I am especially impressed with the operating performance improvements in our Chicken segment which impacted our margins in a favorable way this quarter. As for our other key financial measures, we had more than $1 billion of cash in Q3 '09 including $200 million of restricted cash. Total debt was $3.5 billion. More importantly, net debt was under $2.5 billion. Like last quarter, this represents the lowest net debt balance since the IVP acquisition and is largely the result of working capital improvements. Our people have been doing a fantastic job generating and conserving cash. Our continued inventory reduction has been a big driver in these working capital improvements. The five day reduction in inventory days represents about a $350 million improvement in working capital compared to a year ago. Our accounts receivable improvement of 1.7 days is worth another $125 million for a combined total of $475 million compared to a year ago.

Not only did this working capital reduction free up a considerable amount of cash, it also positions us well for the future and I expect this discipline will continue. Our total debt-to-cap at the end of Q3 was 42.2%. On a net debt basis it's 33.9%. We'll continue to drive down debt as quickly as we can and are still targeting a net debt level at or below $2 billion within the next 12 to 18 months. We also have ample liquidity between unused capacity under the ABL facility and all cash, our liquidity at the end of Q3 '09 was again about $1.7 billion. Our cash position has allowed us to get off to a great start addressing debt. This quarter, we bought $239 million of our bonds bringing our total purchases since March to $277 million. These bond buybacks will result in reduced interest expense of just over $5 million for each of the next couple quarters. We will continue to be opportunistic in buying back our bonds although with recent price increases we're not buying any at the present time. Q3 '09 interest expense increased $37 million compared to the same quarter last year, in total $88 million. Interest expense increased due to both our recent capital rates in Q2 '09 and related amortization of debt issuance fees. We anticipate full year interest expense of approximately 295 million to $300 million.

Capital expenditures for Q3 '09 were $88 million compared to $120 million in Q3 '08. Year-to-date spending is just under $250 million. We expect fiscal '09 capital expenditures to be in the range of 350 million to $400 million. While less than in previous years, rest assured we are taking care of our plans and are continuing to fund good projects. Our effective tax rate for the third quarter was 36%. We estimate for the fourth quarter our effective tax rate to be around 37%.

In closing, I would just like to thank the great leadership team with me on this call and the many team members who are delivering strong results, striving to get even better and improving the financial health and future outlook of our Company dramatically. It is a great pleasure to work with all of you and I look forward to even more improvements in the success in the years ahead. It is great to see our teams come together, focused and have fun making good money again. With that I'd like to pass it over to Donnie Smith to report on the Chicken and Prepared Foods segments.

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Thanks, Dennis. Good morning everyone. In the third quarter the Chicken segment posted operating income of $143 million, and an operating margin of 5.9% compared to a loss of $30 million and an operating margin of negative 1.3% in the same quarter last year. This 7.2% swing in operating margin was due to better market prices, lower grain and fuel prices and more importantly, improvements in the efficiency of our operations.

I know we've been talking about operational efficiencies for several quarters and now we can see the impact of those efforts affecting our results. We've seen improvements within our controllable areas of live operations, plant efficiencies, better yields, improved logistics costs, changes in product mix and in shortening the length of contracts with our customers to stay closer to the market.

Inventory reduction also played a big role this quarter. Sales volume was up 5% over Q3 of '08 and a big piece of the volume came from inventory. We moved a huge amount of Chicken in the past two quarters and we did it without giving up price as indicated by the 2% gain in price per pound in the third quarter. Because we're doing a better job running the business, we're able to capture the opportunities the market gave us and outperformed the levels we discussed for Q3 in our last call. While

we're pleased with what we've accomplished, we're not satisfied. We still have work to do on our operational efficiencies, growing our sales, improving our pricing.

We're now in the fourth quarter with inventory in the best shape its been in for years and doing a better job of selling and being our customers go to supplier. We've talked a lot recently about balancing supply and demand and now that it's balanced, we plan on keeping it that way. Simply put, our plan is to sell what we produce and to produce what we sell. This quarter will be a little tougher. I'm concerned about the softness in the economy. We're simply not seeing the demand recovery we've previously expected. On our better leg quarter prices have fallen about $0.09 a pound in the last month or so and there's an over supply of bulk breast meat weighing on that market as well. Grain costs have come down but even though we're fairly current with our purchases, it takes several weeks for those purchases to work their way through to the finished goods inventory. In Q4 I think pricing pressure will offset much of the benefit we might get from grain so having said all that, I think it's likely our fourth quarter return on sales for the Chicken segment will be softer than what we saw in Q3.

For the longer term though, I believe our Chicken segment is well positioned. Protein supplies are forecasted to be lower. Our inventories are in much better shape and we're running a much better business. Although there will continue to be fluctuations from quarter to quarter due to seasonality of our business, I like the position that we're in.

Now let's turn to Prepared Foods segment. Third quarter operating income was $40 million with an operating margin of 5.9% versus operating income of $9 million and a 1.3% operating margin in Q3 of '08. With Pork being a major input for Prepared Foods, of course Pork prices certainly helped us. The national launch of Right Brand bacon is going even better than we expected. We're expanding to more retail customers and growing volume every month as we support the Right Brand with radio advertising and PR campaign. Tyson is the leading manufacturer of private label lunch meat and bacon in the retail channel. Our Mexican original tortilla business had another record setting volume quarter, the bulk of our Mexican regional sales or QSR which has done a little better than other channels since the downturn in the economy. Our pizza crust business has been holding its own and pizza toppings and sauces are strong. We're putting a lot of marketing support behind our [Baniche] brand to capitalize on the opportunities for foodservice pizza beyond the QSR channel.

Overall, I think the Prepared Foods segment is running the best it has since we've owned it. Yes we've benefited from favorable market conditions but we have a great team running this segment and we've also done a lot of work to get our footprint right, develop our plants and get our costs in line. We've been aggressive in our marketing efforts and we're growing the business. As I've said earlier, our team is pleased with what we've accomplished but not satisfied. We've got more work to do and what we're doing is making a difference. I'm very proud of this team. They're aggressive, they're confident and they're competent and I believe we're positioning our business to compete effectively for the long run. I want to say thank you to all our hard working team members for all they do every day to make the difference. Now I'll turn it over to Jim for the fresh meat support.

Jim Lechner - *Tyson Foods - Senior Group VP, Beef, Pork*

Thanks, Donnie, and good morning. The Beef segment made $66 million or about 2.4% this quarter. Our Q3 is usually our strongest quarter but this year was below the Q3/Q4 '08 results predominantly from demand pressure. As a reminder, our Q3/Q4 '08 results were impacted by mark-to-market accounting treatment for derivatives. When those periods are combined the operating margin for Q3 and Q4 '08 was 2.8%. Compared to Q3 of '08, industry production volume was down with steer heifer slaughter down over 5% or about 31,000 head per week; however our estimates imply domestic Beef availability was only 1 to 2% less than last year because export volumes decreased and import volumes increased offsetting the decreased production. Weekly capacity utilization was 87% or just over five days, about equal to Q3 '08; however our daily capacity utilization has improved dramatically over the last two years improving our operating costs.

Capacity utilization is an important metric to watch but total revenue versus cattle cost, the gross margin spread is what determines profitability. We have improved our total revenue managing product mix, yields and premium program sales. Additionally we have been very careful not to oversupply the pipeline during this period of soft demand which would drive

down price. So keep in mind that we are running a significantly different Beef business than a few years ago. We closed or reorganized several regionally non-competitive plants and improved staffing which increased our daily capacity and reduced cost. This also allowed us to optimize the product mixes for revenue. It is important to note our Beef segment has averaged a 1.7% adjusted operating margin to five quarters before this one even with a 14% decline in revenue since Q4 '08. Our focus on execution continues to drive results.

Looking forward in the Beef segment, my view of the fundamentals hasn't changed much since our second quarter call. We expect to see adequate supplies of fed cattle and continued demand for pressure. Cattle and feed numbers have been lower than last year as placements have been down. This appears to be a function of fewer imported feeder cattle, excellent pasture conditions, and the implied reduction in the calf crop from prior inventory reports. Pasture conditions have been the best seen in many years. It appears cattle are likely out on pasture and will come to the feed lots later than they would have otherwise. The fed in steer and slaughter reduction suggests fed supplies are being pushed into the late summer and fall. Overall, our Beef team has achieved dramatic improvements from prior years and continues to focus on earnings drivers while managing a much more competitive business.

Moving on to the Pork business, the Pork segment had a respectable quarter coming in at $28 million or 3.3% operating margins . Year-over-year total revenues declined dramatically in the Pork segment close to 15%. Hog prices declined nearly the same as the total revenue, allowing us to manage the spread in a difficult market. The revenue pressure in the Pork complex was from numerous factors including H1 N1; however excess supplies of domestic Pork from a dramatic slowdown in exports on a weak economy pressured pricing throughout the quarter. Capacity utilization for the quarter came in just over a five day per week average or 84%, about the same as Q3 '08. These positive results illustrate our continued emphasis on managing a spread business and streamlining our cost structure from improved operations. Our Pork team has been very focused on the day-to-day activities to manage margins which include yields, cost, mix optimization and pricing. We emphasize maximizing revenue and believe hog costs will follow revenue.

Hog supplies will be down in Q4 year-over-year but still adequate. We do expect to see liquidation accelerate and Pork production decrease into 2010 and beyond to improve producer profitability. We'll continue to watch forward hog supplies, drive more exports, monitor demand, focus on cost, mix and pricing to generate revenue.

In closing, our fresh meat team has achieved very respectable results in a tough economic environment with declining revenues for prolonged periods. Our operations are functioning extremely well, our plants are fully staffed and running very efficient even with virtually no six day production. I'm very proud of both Pork and Beef groups. Their teamwork and focus on results has been the difference in an otherwise tough economic conditions. With that I'll turn it back over to Leland for closing comments.

Leland Tollett - *Tyson Foods - Interim CEO*

Thanks, Jim. In closing I want to say that I'm encouraged about the direction this Company is headed. We've had good steady improvement and performance from Beef and Pork for quite a while now. Our Prepared Foods business is doing well and as I've indicated and as Donnie pointed out the Chicken business is rapidly making progress. I think people around here feel better about their work. They're seeing results of their contribution and it shows in their attitude. It is starting to get fun around here and I don't see any reason why we can't continue in this direction so Operator, we're ready to take questions. (Operator Instructions)

QUESTIONS AND ANSWERS

Operator

Our first question is from Farha Aslam. Your line is open.

Farha Aslam - *Stephens, Inc. - Analyst*

Good morning.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning.

Farha Aslam - *Stephens, Inc. - Analyst*

Jim, could we get some more color on Beef? It just had a fantastic quarter. Do you expect results in the fourth quarter to be in your normalized range again despite the difficult quarter or economic environment?

Jim Lechner - *Tyson Foods - Senior Group VP, Beef, Pork*

Good morning, Farha. Thank you for the comments. The fourth quarter, I do expect to stay in about the same zone that we've come through. I don't see a major shortage in livestock because the industry is not oversupplying the pipeline. Demand is soft and absent any major disruption in export markets I really don't see anything going forward.

Farha Aslam - *Stephens, Inc. - Analyst*

Okay. And Donnie, you were talking about Chicken being softer as you go into the fourth quarter, do you expect margins to remain within your normalized areas or do you think the market is just in for a little bit of a tough fiscal fourth quarter?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Yes, I think more the latter part there, Farha. I think it's going to be a little tougher in the fourth quarter.

Farha Aslam - *Stephens, Inc. - Analyst*

Okay, thank you for your comments.

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Thank you.

Operator

Tim Ramey, your line is open.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Good morning. Congratulations on the quarter.

Leland Tollett - *Tyson Foods - Interim CEO*

Thanks, Tim.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

I sense a strong move to the risk adverse from previous quarters and years. You noted the relatively flat commodity position. We almost heard the term paper to paper although not quite in terms of selling what you make and making what you sell. Can you talk a little bit more generally about the attitude of managing the business and how you're controlling risk in the Corporation?

Leland Tollett - *Tyson Foods - Interim CEO*

Well, as you said, we're taking less risk than we've taken in the past. I think our attitude around here until we get more stability in the commodity markets quarter on quarter and year on year, we will continue to do that. We will manage this business on a shorter term proposition than we've had in the past. The idea that we can hedge everything is just, it does not exist, so therefore, we're going to stay close to the market and also close to the market in terms of going to the marketplace with finished product.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Thank you.

Operator

Ken Zaslow, your line is open.

Ken Zaslow - *BMO Capital Markets - Analyst*

Good morning, everyone.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning, Ken.

Ken Zaslow - *BMO Capital Markets - Analyst*

You guys talked about feed costs not being -- coming down but not being realized until next year, but if I look into 2010, would you argue that the lower feed costs offset the lower Chicken prices and kind of everything net-net kind of comes back to where we would be today if we were able to just fast forward to 2010 or does the lower feed cost not offset the lower Chicken prices?

Leland Tollett - *Tyson Foods - Interim CEO*

The lower feed prices, keep in mind we had a pretty good run up in the first of June from the entire month of June was high. It's tailing off right now. We've got a combination of factors in place here. We've got improvements in our operations that help and they are continuing and then we have this blurb in the price of feed there in June that takes extended period of time to work itself all the way through. Now how that balances with the revenue side, that remains to be seen a little bit. I'll turn it over to Donnie and he can give that a swing also.

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Ken, here is what I'd say. What we've got to do is continue to shorten up our pricing cycle, if you will. We've got our inventories in shape. If we'll continue to hold our pricing in a fairly narrow window when the commodity prices on the cost side do react, we're in much better shape to recoup that cost in our pricing so I can't tell you what grain cost is going to be next year. We haven't harvested the crop yet. It looks good so far, but lots of factors involved in that so I don't want to get to speculating on that. Our job is to operate our business well, keep our costs in line, and make sure that we shorten up our pricing cycles to the point that when the commodity markets do react we're able to respond to that as quickly as we can in the marketplace.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you. Jim, just a question on the hedges. If I think about that, I know every quarter you write about the hedges. Is that really hedging or just basically what you do every day and it's the accounting term of hedging because you even said in your forward-looking remarks this quarter should be similar to last quarter and I'm assuming you can't figure out what you're hedges are going to be on September 30, so is the hedging just an accounting term or is that something really just how you operate the business every day? Because it's relatively flat so I'm assuming it's how you operate, not hedging per se.

Leland Tollett - *Tyson Foods - Interim CEO*

I'm going to answer that by saying it is predominantly how we operate business. We don't take any speculative positions. What happens is on occasion we'll have producers who want to sell cattle forward and we'll manage the basis risk and then if we're selling boxes forward, we're going to try to hedge our position there and so it's always a fiscal financial offset so it is really as you said how you really run the business but because we have to keep track of the derivatives and state them such, it implies something other than that. But it is exactly what you--.

Ken Zaslow - *BMO Capital Markets - Analyst*

But so it shouldn't be considered hedging, like the Chicken side of it, the feed cost is hedging, this is day-to-day operations?

Leland Tollett - *Tyson Foods - Interim CEO*

I would say it's day-to-day operations but we use financial positions if we have to go forward on a sale or a buy.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. I appreciate it.

Operator

Christina McGlone, your line is open.

Christina McGlone - *Deutsche Bank - Analyst*

Thank you. You talked about shortening the time frame on the Chicken contracts and I'm wondering how the industry is doing with that especially as we head into the Fall negotiating season. Does the industry seem to be participating in shorter contracts in order to be able to manage commodities better?

Leland Tollett - *Tyson Foods - Interim CEO*

I don't really pay a lot of attention to what is going on with the other folks in the industry. I just know what we're trying to do and so far, we've been successful in being able to what I call shortening up the pricing cycle. I don't know if that's the best term for it or not but what I mean by that is to have less fixed price risk going forward certainly beyond 90 days, so I know what we're doing but that's it.

Christina McGlone - *Deutsche Bank - Analyst*

So then there's no risk that you would lose market share with lower corn competitors all of a sudden hedge out corn, go longer on their contracts, that wouldn't be a concern to you about market share loss?

Leland Tollett - *Tyson Foods - Interim CEO*

I don't believe we're going to lose any market share, no.

Christina McGlone - *Deutsche Bank - Analyst*

Okay, and then I just wanted to know in terms of the cost savings and internal efforts, I believe you have about $250 million running through your P&L and I was running if first if that's right and second, what's left and over what time frame it would be realized and where you are relative to the industry in terms of efficiency?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Okay. That's quite a question, let me try to take that apart for a second. Number one, in past calls, we had discussed spending 120 million, $130 million or so and then seeing 240 million, $250 million or so return for that. That return is in these numbers. In other words, we did, those capital projects and those capital projects are returning like we supposed them to be, so the $250 million that you mentioned is included in the numbers we're seeing. In terms of what we're doing and that type of thing, we're still -- we still have opportunity in front of us. I think Leland mentioned in his remarks that we've come a long ways but we got a lot more work to do and that's true. If I was trying to capture for you some semblance of how much of the value we've captured I would tell you we're somewhere in the middle of the journey. Now whether that's 45% or 65% complete, I can't get near that close to it for you but I'd just tell you that there's still opportunity for us in operating efficiencies. We're working on those hard every day. We've got a great team focused on those, so still opportunity to improve our Chicken business.

Leland Tollett - *Tyson Foods - Interim CEO*

We've got the relatively easy stuff done.

Christina McGlone - *Deutsche Bank - Analyst*

And then just where are you in terms of the industry in terms of your efficiency?

Leland Tollett - *Tyson Foods - Interim CEO*

We have mentioned I think on a previous call, I'm hoping this gives you some kind of reference that we were about or a little better than average in Agro stats. We're still in about the average area so maybe that gives you some glimpse into how we compare within the industry. Yes, thank you very much.

Christina McGlone - *Deutsche Bank - Analyst*

Okay.

Operator

Vincent Andrews, your line is open.

Vincent Andrews - *Morgan Stanley - Analyst*

Thank you, good morning and congratulations on your quarter.

Leland Tollett - *Tyson Foods - Interim CEO*

Thank you.

Vincent Andrews - *Morgan Stanley - Analyst*

I wanted to ask about I guess production levels across the industry. One of your competitors last week announced that they're actually going to construct a new plant and that they are going to increase their level of production I think by about 7% in their fiscal year, so what are your expectations I guess, you made a comment about you're going to sell what you produce and produce what you sell which how should we, it sounds like you're saying you aren't going to increase your production any time soon unless there's demand for it so if you could just comment on the overall industry supply situation and how you think that will impact you on a going forward basis?

Leland Tollett - *Tyson Foods - Interim CEO*

About all we have to really go on is the product placements, or Chicks Place, Chicks Place being a short-term indicator of supply, Pull-it Place we feel a longer term indicator and both of those numbers would indicate that the supply will not be burdensome, but as far as that impacts our Company, you got it right. We will produce according to our demand. We have no real thoughts about what the rest of the industry is doing right now.

Vincent Andrews - *Morgan Stanley - Analyst*

But you have no concern that if the rest of the industry begins to produce more it will make it difficult for you to maintain your ability to adequately price closer to the market? In other words, you're not concerned about getting into a period of oversupply with still weak demand maybe six from from now?

Leland Tollett - *Tyson Foods - Interim CEO*

I don't see that happening any time soon. Keep in mind if somebody started building a plant today it would be a year, year and a half before they get it up so I don't see that happening short-term.

Vincent Andrews - *Morgan Stanley - Analyst*

And then my only other question was I've been reading the Korean export demand for Beef has tailed off pretty considerably recently. Do you have any idea what's causing that and what sort of impact you think that will have on the market if anything?

Rick Greubel - *Tyson Foods - Group VP, International President*

Yes, Vincent, this is Rick Greubel. I'll take a shot at that for you. Korea actually exports to Korea year-over-year up but you're correct, there are higher inventories in the channel for us. They are going to work their way through receptivity to U.S. Beef at retail has been slower than we had expected and then that's going to take some time to go back to those 2003 levels. The industry is about a third of the way there, if that helps you think about it versus the 2003 PBSE peak, feed exports overall though are really a different story and they're up about 10% year-over-year that through May USDA numbers and our exports would be up a little more than that so we feel pretty good about that.

Vincent Andrews - *Morgan Stanley - Analyst*

Okay, thank you. I'm sorry, go ahead.

Rick Greubel - *Tyson Foods - Group VP, International President*

Oh, that was it, thank you.

Vincent Andrews - *Morgan Stanley - Analyst*

Well, thank you very much. Congratulations again.

Rick Greubel - *Tyson Foods - Group VP, International President*

Thank you.

Operator

Ken Goldman, your line is open.

Ken Goldman - *Bear Stearns - Analyst*

Good morning.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning, Ken.

Ken Goldman - *Bear Stearns - Analyst*

Gentlemen, a question on Pull its. There's been some speculation out there among people I've spoken with that maybe the USDA, their numbers on the year on year declines in Pull its are overstating or understating how many Pull its are really out there. I haven't really seen any evidence to back that up, as far as I know the USDA numbers are fairly accurate and I'm wondering if you can comment on that?

Leland Tollett - *Tyson Foods - Interim CEO*

We assume that the USDA numbers are fairly accurate. They have been in years past. We see no indicator that that's any different than that right now.

Ken Goldman - *Bear Stearns - Analyst*

Okay, and then can we get a little bit more color on what happened in the last month? I mean, I know a lot of it is seasonality but what happened in the last month to send Chicken prices down more than maybe the industry expected? I know it's demand but maybe you could talk a little bit about where that demand was soft and where it sort of held in there?

Leland Tollett - *Tyson Foods - Interim CEO*

Okay, Ken, I'll try to take a shot at it for you. I think traditionally, after the Fourth of July, demand tends to soften. You mentioned seasonality and that certainly played a part in it. I think in foodservice in general, we continue to see softness. I think Chicken has held up fairly well compared to other proteins. We continue to focus on partnering with our customers to deliver against value propositions, featuring a little heavier promotions, new value menu items, even maybe meal alternative snacks and that type thing, so as you switch over to the retail side, post July 4, our demand has been fairly good on the lower value items, drumsticks, thighs, leg quarters, et cetera. A little bit softer on the breast meat type items. It seems like at the beginning of the month, pretty good demand for boneless, skinless breast but here towards the latter part of the month it was a little bit of a push.

As to why demand is down what it is, I think we continue, it's part of the economic softness. I think consumers are still concerned they're chasing values. We do see some uptick in a couple of trends like retail consumers tell us that they're using leftovers a little more often, brown bagging at the lunch is up, those type things which those are all things that continue to point to just general economic weakness. Foodservice is a little softer than retail, that's kind of the same stories we've been telling, the QSR segments held up better than full service dining, again that continues to be part of the story that we've been telling, so I don't think there's anything other than a bit more of the same in this economic news.

Ken Goldman - *Bear Stearns - Analyst*

Thanks very much.

Operator

Robert Moscow, your line is open.

Robert Moskow - *Credit Suisse - Analyst*

Hi, good morning.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning.

Robert Moskow - *Credit Suisse - Analyst*

Donnie, if it makes you feel any better we just paid about $10 a pound for a boneless skinless breast at Whole Foods the other day. We ate every bite of it.

Leland Tollett - *Tyson Foods - Interim CEO*

Appreciate that. You're giving testament to our leftovers or did you eat it all in the first meal?

Robert Moskow - *Credit Suisse - Analyst*

We are putting it in a casserole soon.

Leland Tollett - *Tyson Foods - Interim CEO*

Good for you.

Robert Moskow - *Credit Suisse - Analyst*

But I guess the comment about Pork exports was interesting to me. It sounded like it fell off a lot recently, the USDA data just doesn't give us an update that soon. Can you tell us what the drivers of that was and do you think that there's a threat of excess red meat supplies putting pressure on Chicken as well, like if you look at cold storage inventories, Pork is up year ago, Chicken is actually down. Could you help us with that?

Jim Lechner - *Tyson Foods - Senior Group VP, Beef, Pork*

Yes, Robert, let me start. You always have to think year-over-year or what happened last year and you have to remember in Pork exports we're comparing against such a huge robust year in '08 than we had. Russia jumped in and bought more, China bought more last year and so year-over-year, we're down. Now, let's put it in relativity, it's still not that far off of '07, but the key is we got production numbers that are following through and compared to a year ago with those very strong exports that stimulated pricing right now we're having that difficulty because we have excess domestic supply. In going forward, I don't see any major threats that are going to change anything although the export arena always has its opportunities and certainly, we'd like to see more export disappearance than take less domestic supply, so the total meat pool is influenced by imports plus exports plus production. So those would be my comments.

Rick Greubel - *Tyson Foods - Group VP, International President*

And this is Rick here. I'll add just a little bit to that, Jim. There's really kind of a tail two different stories going on and Pork exports as you mentioned they are down year-over-year January through May and I think that for the industry as well as for our exports and we're about the same level as the industry. We've made some internal choices on we have a large bone-in ham export market to Mexico and we saw some opportunities here in the U.S. during the quarter to run our deboning lines and so boneless hams here in the U.S. so that was a bit of an internal tradeoff, financial decision we made, but again, boxed Pork is down about

8% year-over-year. Variety meats however are up significantly, and we continue to see that demand continue and I think that's going to be probably the same story for the rest of the year.

Robert Moskow - *Credit Suisse - Analyst*

Okay. And then a question for Dennis on the balance sheet. You said that you're not going to be buying back any of your debt because the prices have gone up but you do have this $1 billion of cash sitting around. How long are you willing to wait before you do buyback your debt and if it's a long time, what else would you do with that cash?

Dennis Leatherby - *Tyson Foods - EVP, CFO*

Robert, really I have to clarify what I said, I said we weren't buying any at the present time. We're always looking at that value equation and who knows if and when we would make that change but we'll continue to keep cash on the balance sheet. It's important to us to have enough liquidity. Remember we have restricted cash set aside for the 2010 but we also have $830 million of 2011 coming due, and so our goal is to be in a very strong position to pay those off, so whether we buy them early or pay them off at their maturity, having cash on the balance sheet is important for us and certainly it helps us to the extent we need to fund capital spending and just fund our general operations.

Robert Moskow - *Credit Suisse - Analyst*

Okay. And then regarding that you're also lowering your CapEx guidance for the year, are you pushing projects into next year or--?

Dennis Leatherby - *Tyson Foods - EVP, CFO*

Not really. We've been really efficient with our spending, really appreciated how the team has helped us drive cash, but at the same time there's been a lot of great projects with really high returns and I would expect next year will be another year of great projects.

Robert Moskow - *Credit Suisse - Analyst*

Okay. Thank you.

Operator

Heather Jones, your line is open.

Heather Jones - *BB&T Capital Markets - Analyst*

Good morning. Good quarter.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning. Thanks.

Heather Jones - *BB&T Capital Markets - Analyst*

I wanted to follow-up on the Chicken demand question. I was wondering if -- I understand you were saying that foodservice is still soft. Was wondering if you've seen incremental deterioration on a year on year basis in any of the channels whether casual dining or QSR, and McDonald's had some commentary I believe it was June and July were softer than May so just wondering if you could dig deeper into foodservice and what are you seeing incrementally on those trends?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Well, I can't get to commenting QSR by QSR, but if you lumped them all together, certainly foodservice demand has been softer than retail. QSR has been better than full service dining. I do think though in July, we did see a bit of a discouraging relapse from the demand that we had seen in foodservice prior to July. Now, how long that lasts, what were the underlying consumer issues behind that? It's just August the 3rd or 4th, so it's a little early for us to be able to diagnose that. Heather, we continue to position ourselves. The discovery center has been very busy, we've got a lot of customers that are talking about value on the menu. We're working with them to help them grow their business and we'll continue to do that. That's important for us. Drilling down any further, I don't know that I would have a deeper answer for you on any specifics.

Heather Jones - *BB&T Capital Markets - Analyst*

No, that's good, so basically, you saw what you characterized as discouraging relapse in July and that didn't improve as you went through the month?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

No, it was softer coming out of the 4th of July and kind of held that softness through the month. Now what will happen going on into August and September as we get into the back-to-school mode and folks get out there and start shopping for the kids and all that kind of stuff, typically demand improves. It's not unusual for July demand to be softer than June, post 4th of July. We started from a little bit lower base with the weak economy going into this 4th of July so I don't know that we felt anything out of the ordinary. I think we just need to see what happens as we get into back-to-school mode here in the next week or two.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay, and then wondering if you could speak to what you're seeing in the export market for Chicken? Rick?

Rick Greubel - *Tyson Foods - Group VP, International President*

Sure, thank you, Donnie, Heather. Good morning and late quarter market as Donnie mentioned during his opening comments is definitely softer than where it was let's say a month or two ago and that's really a function of some higher inventory in most of the what I'll call non-Russian markets, so the Middle East, Africa, and Asia. As a result of that we're seeing a decrease in prices softening and price and that's probably going to be in place. Some of that is seasonal and things typically get better as we move towards the end of this quarter and the beginning of the next. With regard to exports to China, we have not seen any impact on our business so far in spite of all of the news that was prevalent a couple weeks ago. We still have demand, August is sold, September is selling, pricing is good. That story still needs to play out, be back in the media from last weeks strategic economic dialogue, the big meeting in Washington, the Chinese media the feedback was very positive so that's a good signal. There's still more work to be done there but so far so good.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay, thank you. My final question is moving into 2010 and I understand there's limited visibility, but based on what you see now and assuming lower feed costs are flowing through at that point, would you think that Q1 Chicken margins can get back into that 5 to 7% range or would that be a stretch?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Heather, a little bit too much unknown for me to be able to call this quarter by quarter. I do think on an annual basis our Chicken business ought to be able to perform and I expect it to perform in the normalized historical ranges but there's no way I can speculate on a quarter by quarter basis.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay, thank you very much.

Operator

Akshay Jagdale, your line is open.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Good morning.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

A couple of questions for you guys on Chicken and maybe just a follow-up to a lot of them that have been asked. The first one is more about sort of long term trends and normalized margins in Chicken. You talked about savings of 240 million to $250 million. That's about $0.02 a pound and on my estimate about 2 to 3% to margins. I mean if you're making all these operational improvements, one is, how are we supposed to judge them as analysts if you're not helping us quantify them and to that extent, why aren't you ready to raise your normalized earnings guidance, if you are today, a more cost effective Chicken Company than you were a year ago? So if you could answer that I have a follow-up after that.

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Okay, sure. On your first one, I would tell you, just like I answered to Heather, on an annualized basis, we ought to be able to perform in our historical ranges. Why aren't we willing to raise the range? I know I've got a lot of my team that's listening to this call and I don't want to say anything that would discourage them but it's a little too early in that we've just had one quarter in that normalized range in the last eight, so I'm comfortable even continuing to talk about the previous historical normalized range and our ability to get there and we'll see what happens from there.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay and just in terms of your comments on the short-term outlook for Chicken, from what I am reading and correct me if I'm wrong, you obviously are saying it's going to be below what you reported this quarter in terms of the margins for next quarter in Chicken. Is that, I mean that's a change from what you thought in June. Is that mainly due to the demand side and outlook for demand or are you telling us something about production that we should imply? The only thing we can see is PPC reported today as well the volumes were down about 17%, so they are contributing about 80% of the decrease in production year-to-date so I'm just trying to understand whether the lower profitability in 4Q relative to what you were expecting in June is mainly driven by your expectations for demand rather than something about supply.

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

Yes, it is due to change in expectation On Demand and the market prices that I referred to in my earlier comments.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Right, so if prices improve from here on, there is possibility that those margins could come in close to 6% or even close to where you were saying before, like close to 7%?

Donnie Smith - *Tyson Foods - Senior Group VP, Poultry, Prepared Foods*

That's reasonable to expect, I would think but keep in mind the leg quarters are down Rick, $0.08, is that about right? $0.08 to $0.09 a pound.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, thank you.

Operator

Christine McCracken, your line is open.

Christine McCracken - *Cleveland Research Company - Analyst*

Yes, good morning.

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning.

Christine McCracken - *Cleveland Research Company - Analyst*

Just on that export situation and the weakness we've seen in leg quarters, you had commented I think some of these Middle Eastern, Africa, Asia markets were softer. What we've heard recently was that people were concerned about the renegotiation of the Russian contract and maybe you can find an update on what's going on there, what the likelihood is that that will get reassigned or if there will be another delay as it was last year?

Rick Greubel - *Tyson Foods - Group VP, International President*

Sure, Christine, thank you for the question. Let me just step back a little bit. The softening in those other non-Russian Markets is a function of the fact that we had a two tier pricing market developed with Russia being significantly higher call it $0.10 a pound than the non-Russian Markets and that's more of a function of a number of plant delistings and the quota reduction that's occurred over the past say six months relative to exports to Russia. What it also tells you though is that there's still significant demand in Russia and we track the prices in the local market from the domestic Russian producers and those prices are still pretty strong as well as the prices that our importers are receiving from their product in the country so there's still demand there.

On the other hand, we've managed our inventories to some of the lowest levels we've had in the past two or three years so we're pretty confident about that. I don't think that the current pricing situation really has been affected by the concerns of renegotiating the Russian quota and what they call the Sand Pin regulations that occurred at the end of last year. That is going to happen. There are USDA to Russian net service conversations going on. We've had meetings here over the past three or four months. That's going to continue. The bottom line is we fully expect that to be resolved. That doesn't mean there may not be some emotion involved between now and the end of the year but that will be resolved because the domestic production in Russia is not sufficient to meet the demand and they have to balance their concerns with food inflation and adequate supply. So that would be my take on it and we still have four or five months of that to play out.

Christine McCracken - *Cleveland Research Company - Analyst*

So remind me, that current agreement doesn't expire until the end of the year?

Rick Greubel - *Tyson Foods - Group VP, International President*

End of the year, correct.

Christine McCracken - *Cleveland Research Company - Analyst*

And then just as a follow-up, JBS, in their filing talked about expanding into case ready and value-added which seems like a bit of I guess moving a different direction from what you guys have been doing the last couple years in terms of case of case ready in any case, and I'm wondering could you characterize the environment, as -- is it stronger, what would be the rationale behind moving into that particular area at this point in time?

Leland Tollett - *Tyson Foods - Interim CEO*

Good morning, Christine. The situation hasn't really changed so JBS has, they're entitled to modify their business model. I've read the bulk of their IPO, and that's about all I can comment on really. If I go much further it would be 100% speculation and I can't get into their head.

Christine McCracken - *Cleveland Research Company - Analyst*

Right, in terms of your case ready business overall have you seen any--?

Leland Tollett - *Tyson Foods - Interim CEO*

Yes, it's flowing very nicely and we continue to add a little bit more volume in other customers.

Christine McCracken - *Cleveland Research Company - Analyst*

So if they did get into that area, then it would be quite a bit of new competition for you?

Leland Tollett - *Tyson Foods - Interim CEO*

Well, it would obviously, that's a simple answer of yes, but maybe the customer base might continue to flow towards that with more transitional product from traditionally cut at retail to cut centrally, although this has been a long journey over a number of years and we haven't seen a major growth rate in that category of case ready or cut centrally versus at retail.

Christine McCracken - *Cleveland Research Company - Analyst*

Great. Thanks.

Operator

Tim Ramey, your line is open.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Just a question on the comment on the private label exposure to lunch and meats. Wonder if you could shed any light on this overall sort of trade down thesis and whether you sell that product to Wal-Mart or not, whether you're part of the relaunch of their product line?

Leland Tollett - *Tyson Foods - Interim CEO*

Tim, I won't get into any specific customer business, although in general, we do a good business in private label lunch meat. After a while that business has grown. I don't want to get into any customer specific issues though, but any more general direction on your question?

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Well, can you just, I mean this whole trade down thesis whether it has impacted your business in any meaningful way?

Leland Tollett - *Tyson Foods - Interim CEO*

Well, lunch meat demand is up just a little bit so obviously that's helped us. In terms of the trade down, I don't know that private label share has changed a whole lot. I could get you more detail on that if you want to follow-up with maybe some Nielsen data or something like that but I don't think share has changed dramatically, so I would tell you that we've got a good solid business, have had for a while, we've done a much better job about filling up our footprint and getting our footprint right. We've talked about our project where we're consolidating locations and equipment into a smaller footprint which is helping us run more efficiently. That project should be completed by the end of this quarter and that would be a positive impact on our business going forward.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Great. Thanks.

Leland Tollett - *Tyson Foods - Interim CEO*

You bet.

Ruth Ann Wisener - *Tyson Foods - VP, IR, Asst. Sec.*

Operator?

Operator

At this time there are no more questions.

Leland Tollett - *Tyson Foods - Interim CEO*

Well, thank you all for participating and we will talk to you the next time.

Operator

This concludes today's conference call. You may now disconnect.
